

Notice of Utility Tariff Filing

The REGULATORY COMMISSION OF ALASKA (Commission) gives notice that ENSTAR Natural Gas Company (ENSTAR) filed TA317-4 seeking Commission approval of an Amended and Restated Gas Sale and Purchase Agreement (Amended GSA) between Alaska Pipeline Company (APLC) and Hilcorp Alaska, LLC (Hilcorp). ENSTAR also seeks Commission approval of a letter agreement governing gas purchases until the Commission acts on the Amended GSA. APLC is the sister company of ENSTAR and owns the natural gas transmission pipeline that delivers gas to ENSTAR's service area. Historically, the Commission has regulated ENSTAR and APLC as a single entity.

With TA317-4, ENSTAR filed a letter agreement to address how gas deliveries and pricing will be handled for the current contract year (April 1, 2020 through March 31, 2021) while the tariff filing is pending before the Commission.

The Amended GSA covers the last three Contract Years (April 1, 2020 through March 31, 2023) of the APL-14 GSA. Under the Amended GSA, ENSTAR proposes to extend the term ten years, from March 31, 2023 to March 31, 2033. The Amended GSA also increases Firm Annual Contract Quantity (ACQ) by 2.9 Bcf, from approximately 22 Bcf to 25 Bcf. In addition to Firm ACQ purchases, the Amended GSA provides Daily Call Option gas volumes of up to 4 Bcf in each contract year. The Amended GSA provides that ENSTAR will purchase at least 2 Bcf of Daily Call Option gas each contract year. If ENSTAR does not purchase the full minimum amount of 2 Bcf, it will pay a call gas carrying charge of \$1.00 per Mcf for the unpurchased amount.

In addition to the Firm ACQ and Daily Call Option, the Amended GSA allows ENSTAR to maintain a "Needle Peak Call Option" that gives ENSTAR an annual option to purchase up to an additional 20 MMcf per day on up to 25 days during the months of November through February of each contract year, to manage extreme cold weather demand. Under the Amended GSA, ENSTAR must notify Hilcorp by December 15 if it wants to acquire the Needle Peak Call Option for the following contract year. Under the original GSA, ENSTAR had to notify Hilcorp by March 15 if it wanted to acquire Needle Peak Call Option.

To allow ENSTAR further flexibility to align its purchases with demand, the Amended GSA provides for a number of mechanisms to adjust the Firm ACQ. Section 2.8(A) allows ENSTAR to either decrease Firm Gas purchases by up to 2.19 Bcf (Turn-Down) or increase Firm Gas purchases by up to 3 Bcf (Turn-Up) on an annual basis, with 24 months' notice to Hilcorp. Section 2.8(B) of the Amended GSA allows ENSTAR to deliver a Minor Adjustment Notice to Hilcorp by August 1 of a contract year, automatically decreasing the Firm ACQ that ENSTAR purchases by up to five percent of the then applicable Firm ACQ for reasons attributable to weather variability or customer conservation.

Per Section 7.1(a) of the Amended GSA, the price of gas in the first Contract Year is \$7.55/Mcf. The price in each subsequent year is subject to adjustment, based on the performance of three Price Indexes, which includes the Consumer Price Index U.S., Non-Seasonally Adjusted Producer Price Index Commodity, and Seasonally Adjusted Producer Price Index. The Amended GSA provides that on an annual basis, the sales price cannot increase more than 1.5 percent nor can it decrease more than 1 percent. It also provides that throughout the term of the Amended GSA, the sales price is limited to

a low price of \$7.55/Mcf (Sales Price Floor) and a high price of \$8.89/Mcf (Sales Price Ceiling).

In addition to the sales price, the Amended GSA includes several fees and charges. These charges include:

- A \$4 million per contract year fee if ENSTAR exercises its Needle Peak Call Option;
- A Minor Adjustment fee of \$160,000 or \$330,000, depending on the volume, if ENSTAR exercises a Minor Adjustment but not its Turn-Up or Turn-Down option;
- A Turn-Down Option fee of \$290,000 or \$570,000, depending on the volume, if ENSTAR exercises a Turn-Down Option but no Minor Adjustment;
- An Adjusted Turn-Down Option fee of \$450,000 or \$900,000, depending on the volume, if ENSTAR exercises a Turn-Down Option and a Minor Adjustment; and,
- An Adjusted Turn-Up Option fee of \$200,000 or \$390,000, depending on the volume, if ENSTAR exercises a Turn-Up Option and a Minor Adjustment.

The Amended GSA also includes provisions for cybersecurity and occasions where ENSTAR cannot inject or withdraw gas from Cook Inlet Natural Gas Storage Alaska, LLC.

This notice does not contain all requested revisions and the Commission may approve a rate or classification which varies from that proposed. You may obtain more information about this filing by contacting Chelsea N. Guintu, Supervisor of Rates and Regulatory Affairs for ENSTAR, at P. O. Box 190288, Anchorage, AK 99519-0288; phone: (907) 277-5551. The complete filing is also available for inspection at the Commission's office at 701 West Eighth Avenue, Suite 300, Anchorage, AK 99501; phone: (907) 276-6222 or may be viewed at the Commission's website at <http://rca.alaska.gov> by typing "TA317-4" in the *Find a Matter* search box.

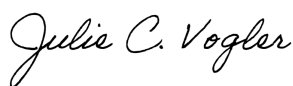
To comment on this filing, please file your comments by 5:00 p.m., May 20, 2020, at the Commission address given above or via our website at:

<https://rca.alaska.gov/RCAWeb/WhatsNew/PublicNoticesComments.aspx>

Please reference TA317-4 and include a statement that you have filed a copy of the comments with ENSTAR at its address given above. Individuals or groups of people with disabilities, who require special accommodations, auxiliary aids or service, or alternative communication formats, please contact Valerie Fletcher-Mitchell at (907) 276-6222, toll-free at 1-800-390-2782, or TTY/Alaska Relay: 7-1-1 or 1-800-770-8937, or send a request via electronic mail to rca.mail@alaska.gov by May 13, 2020.

DATED at Anchorage, Alaska, this 20th day of April 2020.

REGULATORY COMMISSION OF ALASKA



Julie C. Vogler
Finance Section Manager